



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 5, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **FOR THE CHILD, INC. CONTRACT REVIEW – A DEPARTMENT OF
MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of For The Child, Inc. (For The Child or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with For The Child, a private non-profit community-based organization that provides services to clients in Service Planning Area 8. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Fourth District.

DMH paid For The Child on a negotiated rate basis between \$1.85 and \$4.42 per minute of staff time (\$111 to \$265.20 per hour) for services or approximately \$1.1 million for Fiscal Year 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether For The Child complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

For The Child maintained documentation to support the mental health services billed and staff assigned to the County contract possessed the required qualifications. In addition, the Agency maintained adequate controls over cash and revenue. However, For The Child did not always comply with the County contract requirements and billed DMH \$3,339 in questioned costs. Specifically, For The Child:

- Did not complete some elements of the Assessments and Progress Notes as required by the County contract.
- Over charged DMH \$2,356 for payroll expenditures for two employees working on multiple programs. The Agency charged the payroll expenditures based on budgeted hours instead of actual hours recorded on the employees' timecards for the DMH program.
- Over allocated \$983 in shared program expenditures to DMH by using allocation rates different than the methodology specified in their Cost Allocation Plan. In addition, the Agency did not provide documentation to support the allocation rates used to allocate their shared costs to DMH.

We have attached the details of our review along with recommendations for corrective actions.

Review of Report

We discussed the results of our review with For The Child and DMH on February 23, 2009. In their attached response, the Agency concurred with our findings and recommendations and agreed to repay DMH the \$3,339 in questioned costs.

We thank For The Child management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Al Weingartner, President, Board of Directors, For The Child, Inc.
Dr. Michele Winterstein, Executive Director, For The Child, Inc.
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
FOR THE CHILD, INC.
FISCAL YEAR 2008-09**

BILLED SERVICES

Objective

Determine whether For The Child, Inc. (For The Child or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 35 billings totaling 2,881 minutes from 55,543 service minutes of approved Medi-Cal billings for July and August 2008. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 2,881 minutes represent services provided to 20 program participants.

Results

For The Child maintained documentation to support 99% of the service minutes sampled and completed Client Care Plans in accordance with the County contract. However, the Agency did not always complete some elements of the Assessments and Progress Notes in accordance with the County contract requirements.

Assessments

For The Child did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for two (10%) of the 20 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorders and the criteria for diagnosing them.

Progress Notes

For The Child did not complete five (14%) of the 35 Progress Notes in accordance with the County contract. Specifically:

- Three Progress Notes for mental health services did not document what the clients or service staff attempted and/or accomplished towards the clients' goals.
- Two Progress Notes for Medication Support Services did not indicate that the clients were questioned about side effects, response to medication and medication compliance.

Recommendation

1. For The Child management ensure that Assessments and Progress Notes are completed in accordance with the County contract.

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether For The Child's treatment staff possessed the required qualifications to provide the services billed.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 11 of the 14 For The Child treatment staff who provided services to DMH clients during July and August 2008.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency management and reviewed the Agency's financial records. We also reviewed the Agency's September 2008 bank reconciliations for two bank accounts.

Results

For The Child maintained adequate controls to ensure that revenues were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether For The Child's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and selected a sample of expenditures to ensure these costs were appropriately allocated to the Agency's programs.

Results

For The Child's Cost Allocation Plan was prepared in compliance with the County contract. However, the Agency did not follow the Cost Allocation Plan to allocate their shared program expenditures. As a result, the Agency over-allocated DMH \$983 in shared expenditures. The Agency allocated their shared accounting and maintenance costs using a different methodology. The Agency did not provide documentation to support the methodology used to allocate their shared costs.

Recommendations

For The Child management:

- 2. Repay the DMH program \$983.**
- 3. Ensure that shared program expenditures are allocated in accordance with the Agency's Cost Allocation Plan.**

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH program.

Verification

We reviewed financial records and documentation for 29 non-payroll expenditure transactions totaling \$36,027 charged to the DMH program between September 2007 and October 2008.

Results

The Agency's expenditures were allowable, properly documented and accurately billed to the DMH program.

Recommendation

None.

FIXED ASSETS**Objective**

Determine whether fixed asset depreciation costs charged to the DMH program were allowable under the County contract, properly documented and accurately billed.

We did not perform test work in this section as the Agency did not charge fixed asset depreciation costs to the DMH program.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for 12 employees totaling \$37,109 to the payroll records and time reports for the September 2008. We also interviewed nine employees and reviewed personnel files for the 12 employees sampled.

Results

For The Child properly maintained their personnel files. However, the Agency did not charge direct payroll expenditures for two employees working on multiple programs, based on actual hours worked each day by program, as required by the County contract. Specifically, For The Child overcharged DMH \$2,356 by charging the payroll expenditures based on budgeted hours instead of actual hours worked for the DMH program.

Recommendations

For The Child management:

4. Repay the DMH program \$2,356.
5. Bill payroll expenditures based on actual hours worked each day by program.

COST REPORT**Objective**

Determine whether For The Child's Fiscal Year (FY) 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

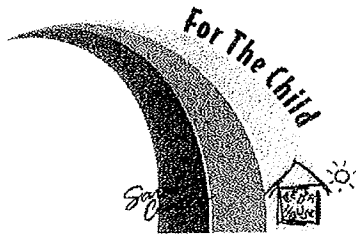
We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The total Agency expenditures listed on For The Child's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.



**Administrative Offices
Treatment & Prevention Services**

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March 23, 2009

Ms. Wendy L. Watanabe
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-2706

Dear Ms. Watanabe:

For The Child is in receipt of a draft report dated March 16, 2009 summarizing the Los Angeles County Auditor-Controller audit and compliance review for fiscal year 2007-2008 and the first quarter of fiscal year 2008-2009.

The audit team was professional, thorough and informative. This is a time consuming process for an organization our size, however the constructive suggestions that were provided are currently being implemented to improve fiscal and program operations.

For The Child's formal response to the draft report follows. If the attached Corrective Plan is considered satisfactory by the Auditor-Controller to address the findings of the report, For The Child does not consider a formal exit interview to be required.

Sincerely,

Michele Winterstein, Ph.D.
Executive Director
(562) 422-8472

FOR THE CHILD, INC.
FISCAL YEAR 2007-2008 and FIRST Quarter 2008-2009
RESPONSE TO CONTRACT COMPLIANCE REVIEW

Billed Services: Based on recommendations provided during the clinical chart audit, For The Child provided an in-house training on clinical documentation to on November 21, 2008. Tiffani Morton, MFT, Program Director, Child and Adolescent Mental Health, provided training to clinical supervisors and treatment providers on how to adequately support the clinical diagnosis in the Initial Assessment. The training also included information on how to document progress toward treatment goals and medical necessity in the progress notes. This training will also be given to all new staff at time of hire. Following audit review, For The Child made immediate changes following auditor recommendations regarding medication reviews and refills. These changes require that the staff psychiatrist question clients and clients' parents/caregivers regarding medication side effects, response to medication and medication compliance upon every meeting, that this be documented in the psychiatrist's progress notes, thus ensuring that these questions are asked at a minimum of 2 month intervals. The Quality Assurance Monitor will review charts regularly to ensure that the above changes are consistently implemented.

Staffing Levels: Testing was not performed in this area and we have no response.

Staffing Qualifications: It was determined that For The Child staff possessed the qualifications required to provide the services billed. We agree with this statement. For The Child will remain diligent regarding the qualifications and certifications of staff to ensure provision of quality mental health care.

Cash/Revenue: It was determined that For The Child maintained adequate controls to ensure that revenues were properly recorded and deposited in a timely manner. We believe that this is an accurate and fair assessment.

Cost Allocation Plan: It was requested that For The Child repay Los Angeles County Department of Mental Health \$983 for an over allocation related to shared accounting and maintenance costs. It is For The Child's position that other line items were under-allocated to the Los Angeles County Department of Mental Health Contract (Insurance Expense, for example). After deliberating this issue and giving serious attention to auditor suggestions for improving our cost allocation method for the future, it will be most cost effective for For The Child to reimburse the DMH program \$983 rather than spending valuable agency time and resources going back to justify the allocation method used.

It was suggested that For The Child ensure that shared program expenditures are allocated in accordance with the agency's Cost Allocation Plan. For The Child is

currently revising the Cost Allocation Plan to include greater detail by line item presenting the method used for each allocation. This will be a valuable tool for the accounting department to ensure allocation accuracy.

Expenditures: It was noted that For The Child expenditures were generally allowable, properly documented and accurately billed to DMH. We agree with the results and will continue attention to proper documentation and accurate billing.

Fixed Assets: No test work was performed in this section because For The Child agency did not charge fixed asset depreciation to the DMH program.

Payroll and Personnel: It was noted that For The Child properly maintained personnel files. We agree with this statement.

It is requested that For The Child repay the DMH program \$2,356 because two employees inadvertently coded time to the DMH program based on budgeted hours instead of actual hours worked. For The Child has decided not to expend valuable staff time reviewing past payroll reports and time sheets to dispute this charge and agrees to repay \$2,356 to the Los Angeles County Department of Mental Health.

Recommendation number 5 requests For The Child to bill payroll expenditures based on actual hours worked each day by program. We agree with this recommendation and are currently implementing a process to verify that timesheets are coded properly on a weekly basis. For The Child has instituted a separate benefits code and the allocation will be calculated by the Payroll Clerk based on actual hours worked.

Cost Report: It was noted that total Agency expenditures listed on For The Child's Cost Report reconciled to the Agency's accounting records. We agree with this statement.



Michele Winterstein, Ph.D.
Executive Director
March 3, 2009